

Message Text

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E.O. 11652: N/A

TAGS: BPRO, EGEN, EFIN, GR

SUBJECT: FCIA CREDIT INSURANCE REQUEST OR SALE OF PAPER, PULP AND
PAPER BOARD TO E.G. LADOPOULOS PAPER MILL S.A. (E.G.L.)

DEPT PASS EXIMBANK

REF: STATE 128635

1. ACCORDING TO 1974 BALANCE SHEET RECENTLY PUBLISHED IN
LOCAL PRESS AS REQUIRED BY LAW, E.G.L. PAPER MILLS-E.G.
LADOPOULOS S.A. REALIZED \$1 (ONE) MILLION PROFIT IN 1974. ALTHOUGH
CURRENT OPERATIONS SEEM TO BE MORE SUCCESSFUL THAN THOSE IN
THE RECENT PAST, BOTH LOCAL BANKING SOURCES AND THE E.G.L.'S
MANAGEMENT REPORT THAT THE FIRM'S FINANCIAL POSITION IS
STILL TIGHT. E.G.L.'S 1974 BALANCE SHEET REFLECTS SHORT-TERM
LIABILITIES OF OVER \$25 MILLION, LONG-TERM LIABILITIES OF
ALMOST \$6 MILLION, AGAINST NET FIXED ASSETS OF \$20 MILLION,
AND CURRENT ASSETS OF \$29 MILLION. BALANCE OF PREVIOUS YEARS'
LOSSES, BEFORE 1974 PROFITS, WAS \$2.4 MILLION.

2. IN MID-MARCH CONVERSATION WITH EMBREPS, E.G.L. FIANANCE
DIRECTOR GEORGE GINIS INDICATED THAT COMPANY HAS STILL NOT
RECOVERED FROM FINANCIAL DISTRESS CAUSED BY OVERLY
AMBITIOUS \$33 MILLION MACEDONIAN PAPER CO. PROJECT IN 1968.
(SISTER COMPANY MACEDONIAN REPORTED PROFIT OF ABOUT \$900,000

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IN 1974.) HOWEVER, HE POINTED OUT THAT E.G.L. SALES IN 1974

WERE DOUBLE THOSE OF 1973, AND THAT EXPORTS TOTALED \$1 MILLION (DESPITE COMPANY'S INABILITY--DUE TO ITS FINANCIAL CONDITION--TO ACCEPT SALES ON TIME PAYMENT BASIS). HE EXPRESSED OPTIMISM FOR 1975 DUE TO EXPORT PROSPECTS IN THE MIDDLE EAST, AND THE RECEIPT OF A GOVERNMENT CONTRACT FOR 6,000 TONS OF PRINTING PAPER.

3. EXIM MAY WISH TO CHECK, IF IT HAS NOT ALREADY DONE SO, WITH EUR/SE AND COMMERCE REGARDING INTERNATIONAL PAPER'S PAST PROBLEMS WITH LADOPOULOS COMPANIES, WHICH CENTERED ON \$5.6 MILLION WHICH GROUP OWED TO INTERNATIONAL PAPER, BUT WAS (AND AS FAR AS WE KNOW REMAINS) UNABLE TO PAY.

4. EMBASSY PERCEIVES NO POLITICAL REASON WHY EXIM BANK SHOULD NOT CONSIDER CREDIT INSURANCE REQUEST. HOWEVER, IN VIEW OF THE MAGNITUDE OF THE TRANSACTION INVOLVED AND E.G.L.'S WEAK FINANCIAL POSITION, EMBASSY WOULD RECOMMEND THAT NATIONAL BANK GUARANTEE MENTIONED PARA. 1 OF REFTEL BE EXPLICITLY UNCONDITIONAL AND IRREVOCABLE.

5. EMBASSY IS AIR MAILING COPY OF E.G.L. BLANK SHEET TO EXIMBANK IN CARE OF EUR/SE.
KUBISCH

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